

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF THE NORTH)	CASE NO.
LOGAN WATER DISTRICT)	97-399

O R D E R

On September 25, 1997, the North Logan Water District ("North Logan") submitted its application seeking to increase its rates pursuant to 807 KAR 5:076, the Alternative Rate Adjustment Procedure for Small Utilities. North Logan's proposed rates would produce additional annual water revenues of \$37,839, an increase of 27 percent over Commission Staff's ("Staff") normalized test period water revenues of \$140,356. In addition to its proposed increase in water rates, North Logan requested approval of a monthly surcharge that it will use to fund a meter replacement program, which is estimated to cost \$13,550.

Staff conducted a limited review of North Logan's test-period financial records and issued its report on December 5, 1997. In its report, Staff recommended the Commission grant North Logan's requested increase in annual water revenue and its proposed meter replacement surcharge. Staff noted the severity of North Logan's line loss, which was in excess of 33 percent in 1996, and recommended North Logan amend its application to request a line loss surcharge, which would be for the sole purpose of reducing the line loss below the Commission's 15 percent allowable limit.

In its December 5, 1997 Order, the Commission requested that all parties submit written comments on the Staff Report within 10 days from the date of the Order or 90 days from the date the application was filed, whichever is later. On December 11, 1997, North Logan submitted its acceptance of the Staff Report recommendations and requested the Commission issue an Interim Order allowing it to place the proposed water rates and meter replacement surcharge in effect. North Logan amended its application to include Staff's recommended line-loss surcharge and agreed to notify its customers of the proposed surcharge.

This Interim Order will only address the issues of North Logan's proposed increase in water rates and the meter replacement surcharge. The line loss surcharge will be addressed 30 days after North Logan has notified its customers of the proposed surcharge and has provided the Commission documentation that the customers were properly notified.

The Commission, after considering the evidence of record and being otherwise sufficiently advised, finds that:

1. The recommendations and findings contained in the Staff Report are adopted as the Commission's findings and incorporated by reference as if fully set out herein.

2. The water rates in Appendix A will produce gross annual water revenue of \$178,195 and are the fair, just, and reasonable rates for North Logan. These rates will allow North Logan sufficient revenues to meet its operating expenses, and provide for future equity growth, including provisions for servicing its debt.

3. The meter replacement surcharge in Appendix A will produce \$13,550 and is intended to be used for the sole purpose of funding North Logan's meter replacement program. The meter replacement program will allow North Logan to comply with the requirements of 807 KAR 5:066, Section 16, Periodic Tests.

IT IS THEREFORE ORDERED that:

1. The water rates and meter replacement surcharge contained in Appendix A are approved for service rendered by North Logan on and after the date of this Order.

2. The monthly meter replacement surcharge shall be in effect for a period not to exceed 2 years or until \$13,550 has been collected. North Logan shall place the surcharge proceeds in a separate interest bearing account. Monthly transfers to the meter replacement surcharge account shall be equal to the proceeds from the monthly surcharge granted herein and shall be transferred from gross operating revenue prior to the revenue being dispersed for another purpose.

3. North Logan shall file with its Annual Report, a separate summary for the meter replacement surcharge containing the following information: monthly surcharge billings and collections; monthly bank statements for the interest bearing surcharge account; a descriptive list of the amounts expended from the account; and copies of the invoices to support the amounts expended from this account

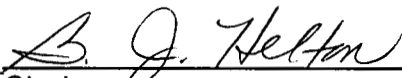
4. North Logan's failure to comply with the above funding requirements or to file the annual summaries shall warrant the revocation of the meter replacement surcharge and refunding of the monies already collected, plus interest thereon.


5. The meter replacement surcharge constitutes a Contribution In Aid of Construction, and shall be accounted for in the manner prescribed by the Uniform System of Accounts for Class C Water Districts and Associations. The monthly billing shall be debited to customer accounts receivable and credited to the contributions account. When the amount is collected, special funds would be debited and customer accounts credited.

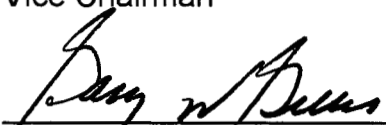
6. Within 30 days of the date of this Order, North Logan shall file with the Commission its revised tariffs setting out the rates approved herein.

Done at Frankfort, Kentucky, this 22nd day of January, 1998.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 97-399 DATED January 22, 1998.

The following rates and charges are prescribed for the customers in the area served by North Logan Water District No. 1. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Monthly Rates

First	2,000	Gallons	\$12.05	Minimum Bill
Next	2,000	Gallons	5.45	Per 1,000 Gallons
Next	6,000	Gallons	3.25	Per 1,000 Gallons
Next	15,000	Gallons	3.05	Per 1,000 Gallons
Over	25,000	Gallons	2.85	Per 1,000 Gallons

A monthly meter replacement surcharge of \$1.12 shall be in effect for a period not to exceed 2 years or until \$13,550 has been collected.